212-03: POLICIES FOR INDUSTRIAL LAND USE

03-01: Introduction

Allocation of industrial land should follow three basic principles: consideration of the historical, primarily geographical factors that have influenced siting decisions; a collaborative role for the private and public sectors; and sound planning based on optimal utilization of infrastructure, minimal environmental impact, and consistency with state growth policies.

This part of the *Industrial Land Use Plan* will explore different ways to help preserve Rhode Island's quality of life and the character of its communities while giving industry the chance to site facilities in locations it considers desirable, providing the employment opportunities the state will need as we enter the next century.

03-02: Historical Factors Influencing Industrial Location

Geography greatly influenced industrial development in the late 18th and early 19th centuries. Seaports grew and prospered as cities because they were bases for whaling activities and maritime trade. Inland industrial communities were built near sources of power to run machinery. The economic health of both types of cities depended on moving goods to market, whether it was by ships, barges, or wagons.

The first forges and mills in Rhode Island were powered by waterfalls along the Blackstone River. ((22:3)) The construction of railroads, providing a conduit for manufactured goods to major markets, brought in a new source of energy: coal. Industries were thus freed from having to locate on crowded riverfronts. Within a few generations of Samuel Slater's time, Rhode Island became the most highly industrialized state in the union. ((23:9))

Some inducements for siting industries have not changed over the years: a good transportation network, a source of cheap and reliable power, and a pool of skilled and unskilled workers.

03-02-01: Energy

Aside from some modest hydropower projects, Rhode Island does not have an indigenous resource, such as coal, oil, or natural gas, to exploit for energy. The state therefore has some of the highest energy prices in the country, being literally at the end of the pipeline.

The energy market now truly functions as a market, with price controls having been lifted from oil, natural gas, and electric power generation. Regarding electricity, industrial customers now have their choice of generating companies, although distribution is still handled by a local, regulated utility (such as Narragansett Electric or Blackstone Valley Electric). It was anticipated that the freer market would lead to

lower prices through competition among power generators, as with oil or natural gas; but also as with oil or gas, there is no guarantee of that in an unregulated market, and some industrial customers have actually seen their electric bills go up. ((24))

Energy prices are obviously not the sole determinant of industrial siting, but from this discussion it is evident that they are particularly important in Rhode Island. Some strategies have been adopted by industrial consumers to stretch their energy budgets. There are many examples of industries and institutions that have tapped the state's hydropower potential, while others have used cogeneration. ((25)) Some have also practiced fuel switching where natural gas-fired furnaces can be switched to oil if price or availability warrant.

Another option is *district heating,* which dates back to the turn of the century and deserves special attention. Neighboring facilities, whether in a modern industrial park (e.g., Quonset) or an older manufacturing district, can benefit from the economies of scale inherent in having a single heating system that is centrally located and can serve customers in an entire district. It has been suggested that district heating be resumed in the older buildings located along the Providence River that were designed to accommodate it so many years ago.

Conservation is a relatively low-cost option whose contribution should not be underestimated. Retrofitting older buildings with more energy-efficient lighting, windows, air conditioning, and boiler units should become commonplace as mill buildings are renovated under the mill building reuse program. Whenever the prices of electricity and fuel rise, the payback time for energy improvements lessens.

03-02-02: A Skilled Workforce

People follow jobs, and jobs follow people. Statistics show that young professionals are quite willing to go where the jobs are. Then, in areas where the professionals become concentrated, new jobs arise, as spin-off companies get started and other firms are attracted to the area. Mark Satterthwaite of Northwestern University explained this phenomenon, using high technology as an example:

> Fast-growing high-tech firms must be able to recruit specialized, experienced, and skilled professionals who can meet specific requirements. Being a part of a large, local, intra-industry pool makes this far easier. Identifying, evaluating, and hiring candidates can be done quicker and less expensively when it is done locally rather than nationally...
>
> In a city with a concentration of rapidly growing firms in an emerging, dynamic industry, there is almost inevitably a flow of new ideas and possibilities that cuts across all firms... Smart people are even more so when surrounded and interacting with other smart people... The effect is that firms locating within a city with a high concentration of firms in the same industry have higher productivity from critical professionals and lower costs overall than they would otherwise ((26:9)).

Studies indicate that the level of skills and education among Rhode Island's industrial workers is low compared to the rest of New England. Some of those skills — for example, electroplating and the assembly of small components — can be easily transferred from traditional industries, such as jewelry, to electronics and related high technology. However, the broadening and improvement of skills within Rhode Island's mature industries should not be overlooked.

New, industry-wide apprenticeship programs have recently been reported in *Providence Business News.* Partnerships such as the newly developed Samuel Slater Technology Corporation, which encourages industry clustering and technology transfer among government, educational institutions, and companies, also shows promise. ((15:37-40, 234-235))

The trend toward two-income families, with the related issues of child care and affordable housing, needs to be addressed in conjunction with training programs. Affirmative action for women and minority workers must ensure not only that they have adequate training and can market their skills effectively, but also that they will be able to work with peace of mind and live within commuting distance of their jobs.

On-site training facilities and child care, local and regional networking, and technology transfer are logical outgrowths of the industry clustering phenomenon. Industrial siting in the future is likely to draw upon this natural process.

03-02-03: Infrastructure

"Quality of life" has always figured prominently in location decisions about a company headquarters. Appropriate infrastructure (including electronic infrastructure), however, determines the site of a plant. ((27:150; 28:4-5))

Infrastructure considerations are therefore very important in any industrial land use plan. For the purposes of the discussion that follows, we will just concentrate on infrastructure in the traditional sense — rail and highway access, water supply, and wastewater treatment.

In Rhode Island's most urbanized areas, we expect basic infrastructure to be in place, though conditions may require updating or improvement. Public water and sewers are available, having been provided decades ago for previous tenants of industrial property; utility hook-ups are easy, highways are nearby or at least accessible, and rail sidings may be adjacent to the site. Infrastructure availability would seem to make these areas — taking in old, vacant or underutilized mills and factories in places like Woonsocket and Pawtucket — ideal sites for industrial redevelopment. Unfortunately, the solid base of infrastructure may be undermined by historical land-use patterns that have resulted in severe limits on expansion and accessibility, particularly in the old milltowns.

As textiles and related industries grew in the late 18th and early 19th centuries, workers settled as close to their places of employment as possible, often in housing built by their companies. Their homes generally were on parcels adjacent to the mills, without a buffer between the two. This made the workplace very accessible to the

workers; it was an easy walk to the mill. In an automobile-free environment, such settlement made sense. However, it also resulted in an enduring patchwork of industrial land surrounded by houses and commercial establishments, sometimes with little or no access for large trucks, and no room for enlarging the industrial space or providing sufficient parking. These are severe constraints to modern industrial expansion, and an inducement for the conversion of these industrial lands to other uses. In some cases, that may be the only alternative to no use at all.

On the other hand, we cannot lose sight of our goal to promote industrial reuse wherever feasible. Industries should have a "right of first refusal" when industrial land is in danger of conversion. While some of the urban industrial properties may be cramped for certain applications, they may be just fine for others requiring less space. Remembering that infrastructure is a powerful draw to industrial sites, we should presume that its availability will be ever more attractive to smaller companies that simply cannot afford a large capital outlay for private wells and wastewater treatment systems to provide amenities that already exist with public water and sewers.

The fiscal logic in promoting urban industrial sites is plain. The public sector, as the agent providing and maintaining infrastructure, is always mindful of the substantial investment required to extend sewer and water lines, roads, etc., to new sites. These costs compete with others in a city's budget, making it an absolute necessity to capitalize on what already exists and is available for use. Infrastructure requires periodic maintenance and improvement, also at considerable public expense.

It has become obvious in recent years that there is an environmental logic behind this policy as well. Reuse of underutilized industrial sites steers development away from "greenfields" that may serve a more important function to society as open space. Reuse requires cleanup, which can remove threats to groundwater from toxic materials stored or used at the facility. Reuse enhances the esthetics of the surrounding areas. And reuse cancels the invitation to vandalism and arson that so many of these properties extend to the youth of the community.

03-03: Public Sector Influence on Locational Factors

"Influence" can mean many things in an industrial land use plan, but in this section it will apply to public policies and actions. The public institutions examined are the various units of federal, state, and local government, public corporations for economic development, and public colleges and universities. Technology centers and partnerships with business will be covered in Chapter 02-03, where we discuss initiatives of the private sector.

Regulation and *taxation* are familiar forms of public sector influence. Regulation includes zoning, performance standards, building and fire codes, and environmental permitting. Through regulation, a government can limit the size of a facility, the extent of its operations, and even the viability of a proposed industrial site. A government can also influence site development or redevelopment through tax incentives, such as those provided by the Mill Building and Economic Revitalization

Act (*R.I. General Law* 42-64.7, discussed under Section 03-03-04-02 below). A quasi-public corporation, for example the R.I. Economic Development Corporation (EDC), can do the same by providing industrial revenue bonds for construction, extension of infrastructure, or technical assistance.

Often the single most important incentive to local government in designating a site for industrial development is the perceived contribution that the developed site will make to the local tax base. Rhode Island municipalities' reliance on the property tax to finance local government has contributed to the designation of industrial and commercial sites in virtually every community. The absence of *regional* approaches to broadening the tax base has fostered competition amongst neighboring communities for some form of economic development. Sometimes this simply redistributes existing development within the region as firms move from one community to another, with no net benefit to the region as a whole.

Table 212-03(1) summarizes public sector responsibilities and programs that are intimately connected to the purchase, disposal, and ultimate use of industrial land. These are reviewed below.

03-03-01: Zoning, Comprehensive Plans

Rhode Island's enabling acts for zoning (Title 45, Chapters 24 and 24.1) and the subdivision of land (Title 45, Chapter 23) pass the authority for regulating specific types of land use from the state to the cities and towns. As discussed in Part One, single-lot zoning and maintaining separate residential, commercial, and industrial districts, each with its own list of "prohibited activities," are out of fashion and favor with many planners, though still on the books. Preferred are performance standards, which can allow mixed-use cluster developments. Most communities have enacted performance standards. ((14)) Some also have incorporated overlay districts to protect environmentally sensitive areas, such as aquifers.

All cities and towns are now required to develop and implement a Comprehensive Plan that takes in, among many other things, land use and economic development. This is a significant advance from where these communities stood in 1990, when the first *Industrial Land Use Plan* was written. The Comprehensive Plans must be consistent with the *State Guide Plan,* of which

TABLE 212-03(1):
PUBLIC AGENCIES OR INSTITUTIONS WITH ROLES IN INDUSTRIAL SITING DECISIONS

Agencies or Institutions

Policies or Functions Affecting Siting

Federal government

- Congress (Cong.)
- Dept. of Agriculture
  - — Rural Development Administration (RDA)
- Dept. of Commerce
  - — Economic Development Administration (EDA)
  - — Small Business Administration (SBA)
- Environmental Protection Agency (EPA)
- Dept. of the Treasury
  - — Internal Revenue Service (IRS)
  - — Office of Comptroller of the Currency (OCC)
- Federal Reserve Board (Fed.)

- Taxation, tax incentives (Cong., IRS)
  - Financial assistance
    - — Economic Development grants (HUD, EDA, RDA)
    - — Low-interest loans (SBA)
    - — Loan guarantees (HUD, SBA)
  - Technical assistance
    - — Planning (EDA)
    - — Implementation (EDA)
- Regulation
  - — Environmental policy, permitting (EPA)
  - — Restrictions on lending institutions (Fed., OCC)

State government (R.I.)

- General Assembly (GA)
- Coastal Resources Management Council (CRMC)
- Dept. of Administration
  - — Div. of Taxation (Tax.)
  - — Office of Municipal Affairs (OMA)
  - — Statewide Planning Program (SPP)
- Dept. of Environmental Management (DEM)
- R.I. Economic Development Corporation (EDC; quasi-public)
  - — Industrial Facilities Corporation (RIIFC)
  - — Industrial-Recreational Building Authority (IRBA)
- R.I. Public Pension Fund (PPF)
- State academic institutions
  - — Community College of R.I. (CCRI)
  - — Rhode Island College (RIC)
  - — University of R.I. (URI)

- Taxation, tax incentives (GA, Tax.)
- Financial assistance
  - — Passthrough of federal grants, loans (DEM, EDC, OMA, SPP)
  - — Industrial revenue bonds (RIIFC)
  - — Tax-exempt construction financing (EDC)
  - — Small Business Revolving Loan Fund (EDC, PPF)
  - — Mortgage guarantees (IRBA)
  - — Marketing (EDC)
- Technical assistance
  - — Planning (OMA)
  - — Implementation (EDC, DEM, SPP)
  - — Research, academic training (CCRI, RIC, URI)
- Regulation or review
  - — Environmental permitting (DEM, CRMC)
  - — State Guide Plan review (SPP)

Local government

- Mayor or Town Manager (M/TM)
- City or Town Council (C/TC)
- Tax Assessor (TA)
- Planning Board (PB)
- Zoning Board (ZB)
- Building Inspector (BI)

- Taxation/tax incentives (M/TM, C/TC, TA)
- Financial assistance
  - — Implementation of federal and state grants, loans (M/TM)
- Regulation
  - — Zoning, peformance standards (C/TC, PB, ZB)
  - — Building and fire codes (BI)
  - — Building permits (BI)

the *Industrial Land Use Plan* is an element. Statewide Planning Program staff review these plans to confirm this.

Moreover, in their Comprehensive Plans, the communities must describe their intentions for future development, which include plans for industrial expansion. An inventory of industrial land, and residential and commercial land, figures prominently in each Comprehensive Plan, and serves as a recognizable locus for future industrial activity. Spot zoning and conversion of industrial land in response to upticks in the residential real estate market are avoided, at least in principle, by framing and executing the land use portions of the Comprehensive Plans. This is not to say that these plans provide an ironclad guarantee against the squandering of industrial land, but they do put the issue in the proper perspective and encourage sound land use policies to emerge.

Some regions of the state are beginning to use the comprehensive planning process to identify those sites in the region that are best suited to accommodate economic development. This evaluation may lead to the conclusion that not all of the region's communities have such developable sites. Furthermore, a recognition that the growth impacts of developing such sites are not limited to the host community may encourage a strong incentive for sharing both the costs and rewards of developing fewer, but better sites that truly benefit the entire region.

03-03-02: Environmental and Other Permitting

Environmental permits set forth conditions to mitigate environmental impacts where such impacts are likely. They are mandated by laws which presume that protection of the environment is within the government's purview to prevent harm to public health, safety, and welfare. Permitting has been defended successfully on that basis.

Some federal permitting authority has been delegated to the states. One example is the National Pollutant Discharge Elimination System (NPDES) under the Clean Water Act, which the U.S. Environmental Protection Agency has delegated to the R.I. Department of Environmental Management (DEM). ((29:3)). The state has the option of requiring more stringent standards than those in the federal regulations, but the standards cannot be made more lenient.

The DEM may arrange "pre-application" meetings between developers and regulators to explain requirements and procedures and to prevent conflicts and omissions in a permit application. ((29:2)) These meetings are held to introduce the parties to each other and to identify potential problem areas.

On the local level, environmental permitting of a sort takes place within the office of the building inspector. He or she is often invited to DEM's pre-application meetings, along with representatives of the local conservation commission, city or town planner, and the municipal chief executive. The state's other permitting agencies, such as the Coastal Resources Management Council, depend on the

building inspector's judgment as to whether a proposed building complies with the building code and relevant local ordinances.

03-03-03: The State Guide Plan

Regulation frequently is written in terms that discourage or limit certain uses of property. But a state or local government can also *encourage* something to happen without "regulating" *per se*. White papers, reports to the Governor, executive orders, strategic plans, and policy documents may prescribe specific actions pertaining to land use, housing, transportation, airports, air quality, water resources management, energy facility siting, etc.

Rhode Island's *State Guide Plan* contains long-range goals and policies addressing, in separate "elements," natural resources, transportation, housing, economic development, and energy use. Detailed internal review and final approval by the R.I. State Planning Council ensures each element is consistent with the others, though approaching growth and development within the state from different perspectives. Each element is periodically updated, incorporating new information and extending the planning horizon. The *Industrial Land Use Plan* is an element of the *State Guide Plan.*

The express purpose of the *State Guide Plan* is to guide growth and development in Rhode Island. Consistency with the *State Guide Plan* is mandated under the *R.I. General Laws* for plans and projects of the EDC, programs of the Coastal Resources Management Council, and the Comprehensive Plans of every city or town. ((30:01.01 *et seq.*)) Also, projects receiving federal funding or located in Quonset Point/Davisville are subject to a review for *State Guide Plan* consistency. Consistency reviews are conducted by Statewide Planning Program staff. Obviously, this process can have a direct bearing on many activities of the private sector, and is a good example of how government can encourage things to happen. At the city and town level, issues involving industrial land use can be held to the consistency requirement through the local Comprehensive Plan.

03-03-04: Public Financing

One of the strongest forms of encouragement, however, is money. Public financing can be in the form of a grant, bond, tax incentive, or low-interest loan. All have been tried, with varying degrees of success, in programs designed to improve Rhode Island's economy. Several schemes with direct impacts on industrial land use are reviewed below.

03-03-04-01: Urban Renewal

The theory of urban renewal, particularly as it was practiced in the 1950s and 1960s, is simple: condemn and clear dilapidated urban properties to make way for new development. In Rhode Island, local redevelopment authorities are empowered by statute to eliminate and prevent "blighted and substandard areas" and replace them "through redevelopment by well-planned, integrated, stable, safe, and healthful neighborhoods." ((31)) One of the three enabling acts, Chapter 31 of Title 45 of the *R.I.*

General Laws, contains the following criteria for a determination of a "blighted" or "substandard" area:

- "...[D]ilapidation, deterioration, age, or obsolescence" of buildings.

- "...[D]efective design or insanitary [*sic*] or unsafe character or condition of physical construction..."

- "...[D]efective or inadequate street and lot layout..."

- "...[D]eterioration of site improvement, inadequacy of utilities, diversity of ownership of plots, or tax delinquencies...[which are] unduly costly [to remedy]...through the ordinary operations of private enterprise and impair...the sound growth of the community." ((32))

Urban renewal projects encompassed industrial and commercial redevelopment as well as slum clearance and the construction of public housing. In Rhode Island, the costs of urban renewal included the cost of relocating families and businesses displaced by redevelopment. Project areas typically included several city blocks. The scale of those projects nowadays seems daunting, but in the 1960s, the federal government paid as much as three-quarters of the cost. That level of support is no longer available. Maintenance of public housing was an early casualty, and its reduction to squalor and crime a consequence.

While communities did report some success with urban renewal, many growing industries clearly preferred the suburbs, with their more prestigious locations, lower taxes or rents, and room for parking and expansion. Another problem was that urban renewal became urban *removal,* with simple economics often arguing against redevelopment after commercial and residential structures had been demolished. Despite the good intentions, urban renewal in many places around the country left vacant lots, razed historic structures, ran highways through neighborhoods, and "blighted" rundown areas even further.

Rhode Island's enabling legislation for local redevelopment authorities can provide for a socially conscious urban renewal program that judiciously uses the power of eminent domain for land assembly and site preparation. This would appear to make it an excellent vehicle for the reclamation of underutilized or neglected industrial land in the inner cities. However, the power of eminent domain must be used judiciously. The "public good" in pursuing redevelopment must be demonstrated — not merely to remove "blight," but to promote and conserve a valuable resource, industrial land.

Local redevelopment authorities cannot presume that once a site is prepared to their own specifications, it will be attractive to desirable industries. Extensive consultation with developers and would-be tenants is necessary from the earliest planning stages to ensure that the appropriate redevelopment will occur.

The problem of "environmental legacy" and liability for the cleanup of disused industrial sites is being addressed by the DEM's "brownfields" program, which limits liability, provides for cleanup, and establishes covenants not to sue after the DEM

determines a site is clean. This program works in tandem with the U.S. Environmental Protection Agency's (EPA's) Comprehensive Environmental Recovery, Compensation, and Liability Information System (CERCLIS), which identifies sites with likely contamination, conducts investigations, and sets the agenda for cleanup through a National Priority List — the "Superfund" process.

In 1997, more than 300 sites were under investigation by the EPA, DEM, and private parties. ((33)) By September, 1999, 126 sites on EPA's CERCLIS list (about 40 percent of the total) were archived, i.e., removed from the "active" list (being investigated or on the NPL) because remediation was complete and the sites no longer posed a threat to public health.

Hopefully, as liabilities on brownfield properties are clarified and responsible parties identified, and the sites undergo environmental remediation, the process will encourage private lending institutions to become more responsive to industrial redevelopment at the older urban sites than they have in the past. The stigma of foreclosing on a property and inheriting liability has been a major deterrent to such investment.

Augmenting CERCLIS and the state program, the EPA and the Department of Housing and Urban Development (HUD) have separate brownfields initiatives. Among the EPA's activities are grants for pilot programs, including $200,000 technical assistance grants and $350,000 grants for revolving loan funds; clarifying liability and cleanup issues; and establishing partnerships with community colleges, nonprofit development corporations, and government agencies for workforce development and job training at brownfields. Meanwhile, HUD is using Economic Development Initiative (EDI) grants "to improve the viability" of brownfields projects funded under its Section 108 loan guarantee program. ((34))

03-03-04-02: Tax Incentives

With the postwar flight of some companies to suburban industrial parks, boosters of the declining cities urged municipal governments to respond by offering "investment incentives" of various types to lure industry back. Sadly, history is rife with examples of abuse of those incentives, as when an industry would leave the community as soon as the incentives expired. Cities and towns around the country have responded by limiting the old tax holiday approach or scrapping it entirely. One alternative is to institute incremental reductions in tax abatements over time, with the abatement being phased out entirely within five or ten years. Another is to require a "clawback" of abated taxes if the beneficiary relocates out of the community within a certain time frame, say within ten years of the end of the abatement.

Some communities have come to favor incentives that specifically satisfy economic and land use goals, and carry with them an increased commitment to the community. Two of those incentives are *geographic targeting* and *age-specific tax breaks.* Like any other business catalyst involving public money, either policy must have real social value, and not just provide windfalls to companies that would have settled or stayed and invested in the community anyway. ((35:16))

The typical geographically-targeted investment incentive is aimed at "areas of economic distress." ((35:16)) Applicant eligibility is typically determined by thresholds of unemployment, population growth, per capita income, investment levels, and state and local GDP (gross domestic product). ((35:17)) An enterprise zone program is an example of such an incentive, and the State of Rhode Island has such a program in place. At this writing, there are nine enterprise zones, located in such diverse communities as Portsmouth and Woonsocket.

Age-specific tax incentives are geared more specifically to older buildings. They must be strong enough to counteract depreciation allowances that give a greater credit for depreciation of new structures than for rehabilitating old ones. ((35:19))

The federal government enacted preservation tax incentives for historic buildings in 1976, administered by the National Park Service (NPS) in partnership with the Internal Revenue Service and State Historic Preservation Officers. Besides achieving the obvious aesthetic benefit of converting eyesores into pleasant looking, functional buildings, these tax incentives can lure new private investment in traditionally distressed areas, generate jobs, enhance property values, and get abandoned industrial and commercial properties back on the tax rolls.

Current (1999) tax incentives for preservation, as provided by Internal Revenue Code Section 47, include a 20-percent tax credit for the certified rehabilitation of certified historic structures (i.e., buildings), and a 10-percent tax credit for rehabilitating non-historic, non-residential buildings built before 1936. The two credits are mutually exclusive: only one applies to a given project. Which credit applies depends on the building, not the owner's preference. ((36))

Under the terms of this program, a "certified historic structure" is a building listed individually in the National Register of Historic Places, or located in a registered historic district and certified by the NPS as contributing to the historic significance of that district. A "certified rehabilitation" is one approved by the NPS as consistent with the historic character of the property and, where applicable, with the district in which it is located. While some alteration is permitted to provide for efficient use, the project must not damage, destroy, or cover materials or features, whether interior or exterior, that help define the building's historic character. ((36)), ((99))

While buildings listed in the National Register of Historic Places may be eligible for the 20-percent credit as "certified historic structures," they are not eligible for the 10-percent, "non-historic" credit. They may include residential uses, whereas structures eligible for the 10-percent credit must be non-residential. There is no formal review for the rehab of "non-historic" structures. ((36))

The NPS has claimed that "[t]hrough this program, abandoned or underused schools, warehouses, factories, churches, retail stores, apartments, hotels, houses, and offices throughout the country have been restored to life in a manner that maintains their historic character." Long-term economic benefits result from the requirement that the rehabbed property be *depreciable,* i.e., "used in a trade or business or held for the production of income. It may not serve exclusively as the owner's private residence." ((36))

Rhode Island established its own age-specific tax incentive program with the *Rhode Island Mill Building and Economic Revitalization Act,* an adjunct to its enterprise zone program. Tax credits under the mill building legislation follow a building's "substantial rehabilitation," equal in cost to at least 20 percent of its market value. The building's owner can take a specialized investment tax credit equal to 10 percent of the rehab, granted in the year the building is first placed into service. Businesses located in the building may qualify for a credit equal to 100 percent of wages paid to new employees, up to a maximum of $3,000 per employee. Lenders to these businesses may take a credit equal to 10 percent of the interest earned on the loans. They may also take a credit equal to 100 percent of the interest on loans they make to building owners for the rehab.

To qualify for the mill building program, the structure to be rehabilitated must have been constructed before 1950, be of the two-or-more-story configuration typical of old factories, be intended for manufacturing or commercial reuse, and be at least three-quarters vacant. It must be nominated by its home community for "certification," and pass the above tests to the satisfaction of the R.I. Enterprise Zone Council. ((37:4)) Diverse sources developed these criteria: the Northern Rhode Island Economic Development Partnership, Statewide Planning, the R.I. Division of Taxation, the EDC, and members of the General Assembly.

The mill building legislation also has a geographically-targeted component. If the building to be renovated is located in an enterprise zone, business tenants may qualify for an additional credit equal to 50 percent of wages paid to their employees, with a maximum of $10,000 per employee. The cities and towns, which are limited as to the number of certified buildings they may have under the program, are entitled to additional buildings if these buildings are located in enterprise zones.

Like the DEM's brownfields program, the mill building revitalization initiative is relatively new and untested, but with a great deal of promise. Communities have already become very much involved, being well aware of the opportunity the legislation presents. The cities and towns will be responsible for promulgating their own ordinances and regulations in support of the program, as mandated by the legislation, such as providing favorable property tax treatment for certified buildings, expediting the granting of building permits, and waiving permit fees. At this writing, some have already stepped forward and nominated buildings for inclusion in the program. ((38))

03-03-04-03: Bonds and Tax Increment Financing

Bonds have been used to finance all sorts of development projects, from reservoirs to industrial parks to highways. Bonds have been floated to provide sole-source funding, matches for grants, "gap financing," or seed money for revolving loan funds. ((34:53))

Two types of bonds used extensively in Rhode Island are *general obligation bonds* and *revenue bonds.* General obligation bonds are secured by the taxing power of the government. Revenue bonds are not, being secured instead by a specific source of revenue expected to be generated by the project being financed. ((39:37-38)) General obligation bonds require government to pledge future revenue to debt service and must be used judiciously. ((40:8-9))

In Rhode Island, the Industrial Facilities Corporation (RIIFC) has financed qualified commercial and industrial projects through the issuance of industrial revenue bonds. The interest earned on these bonds was either exempt from both federal and state taxes ("tax-exempt") or state but not federal taxes ("taxable" — i.e., by the federal government).

The tax-exempt issues are for manufacturing projects. ((41)) Participating banks purchase the bonds from the RIIFC as tax-exempt loans. Because the interest they receive on these loans is not taxed, the banks can afford to lend the money to developers at below-market rates. Once the project is completed, it is expected to generate sufficient revenue to cover the principal of the loan.

The dollar limit per project under this program is $10 million. This money may be used to acquire land, buildings, machinery, equipment and other fixed assets. Borrowers may obtain an exemption from the state's sales tax for building materials or equipment purchased with this money. Normal terms of repayment are 15 years for real estate, and eight to 10 years for equipment.

The RIIFC has also developed a bond/loan program that takes in commercial as well as manufacturing projects, including travel and tourist facilities. The interest the banks earn from loans made under this program is exempt from state taxes, but not federal taxes. Because participating banks do not get the federal tax break, these loans usually have less of an interest-rate savings than issues that are tax-exempt.

Tax increment financing (TIF) is another option. The principle is based on the presumption that improvements to property will result in a higher property tax assessment, yielding more revenue for the city or town. The anticipated increase (the "tax increment") can be used — before the improvements take place and the new taxes are collected — to back special obligation bonds to finance infrastructure expansion or public works projects to support or facilitate improvements to the property.

Chapter 33.2 of the *R.I. General Laws* provides for tax increment financing of land acquisition projects, land assembly, infrastructure improvements, and building

demolition, removal, or rehabilitation. The bonds are exempt from state taxes. Under certain conditions imposed by the Tax Reform Act, they may also be exempt from federal taxes. Corliss Landing in Providence, a mixed residential-commercial rehab of an old factory complex, is one example of TIF.

Although there is an element of risk to investors because TIF bonds are not backed by the full faith and credit of the state or the local community, tax increment financing presents considerable possibilities for industrial land assembly as well as in building renovation. Where development pressure already exists, there is less of a risk. There is also an obvious benefit to the community in reviving moribund industrial parcels with TIF that might be lost to other uses. ((11:3.14))

03-03-04-04: Grants

The subject of public sector influence on industrial land use cannot be done justice without mentioning federal grants and loans.

The *Community Development Block Grant (CDBG) Program* is administered by the U.S. Department of Housing and Urban Development (HUD). At 24 CFR Part 570.2, CDBG specifically advocates "a more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers," and "the stimulation of private investment and community revitalization in areas with population outmigration or stagnating or declining tax base." ((42:A-1-A-2)) The block grants are designed "principally for persons of low to moderate income" ((42:A-1)), and therefore seem perfectly suited to the revitalization of Rhode Island's urban areas, including the reuse of inner-city industrial properties.

The Department of Housing and Urban Development makes CDBG money available to large and small urban areas according to the following formula. Seventy percent of the funds go directly from the federal government to the large cities, which are called "entitlement communities," while the remaining 30 percent goes to the state, to be awarded on a competitive basis to the smaller communities through a "small cities program."

Some of the communities in Rhode Island have used this money in very creative ways that have stretched the dollars significantly. The City of Woonsocket, for example, an entitlement community, typically includes an annual contribution from its CDBG grant to capitalize a Small Business Revolving Loan Fund, "for the purposes of providing affordable financing to stimulate new business start-ups, business expansions, and [to] help retain existing industry." ((43:not paginated)) As the older loans are paid off, that money is recycled in the fund.

Woonsocket's revolving loan fund favors projects from manufacturing firms. However, the majority of CDBG funds in Rhode Island have gone to the non-industrial sector. On the other hand, projects eligible for the small cities program include comprehensive plans, community development plans, and functional plans, such as plans for land use, energy, and transportation. These have a more obvious application to industrial land use.

The "catch" to using CDBG funds is that with any project it must be demonstrated to HUD that it yields a *direct benefit* to low and moderate income families. The amount of recordkeeping required to do this has been the limiting factor in the use of CDBG for industrial planning and development. ((44:3-4)) It is difficult to document a direct "low/mod" jobs benefit from general economic development activities such as marketing and technical assistance, for example, making those activities essentially unfundable by CDBG. ((44:4))

Another source of grant money is the Economic Development Administration (EDA) in the U.S. Department of Commerce. Through EDA's Public Works and Development Facilities Program, grants are provided to help "distressed communities" attract new industry, encourage business expansion, diversify local economies, and generate long-term, private-sector jobs.

Among the types of projects EDA has funded are water and sewer facilities primarily serving industry and commerce; access roads to industrial parks or sites; port improvements; and business incubator facilities. In fact, there are few industrial parks in Rhode Island that have *not* received EDA assistance. The proposed projects must be consistent with the redevelopment area's *Comprehensive Economic Development Strategy (CEDS),* which is revised annually.

In Rhode Island, the redevelopment area is the entire state. Responsibility for composing and updating the *CEDS* rests with the Statewide Planning Program. The State Planning Council is recognized as the "CEDS Committee," functioning as a citizens' advisory group that approves or proposes changes to the *CEDS.* Every five years, Statewide Planning completes an extensive *CEDS Update,* the most recent having been done in 1997 (under CEDS' former name, the Overall Economic Development Program, or OEDP). ((45)) The *Update* reviews economic data, such as population and employment, per capita income, industry mix, and infrastructure. It is supported by annual reports that keep the statistics current and track "distress" in impacted communities.

Each *CEDS Update* and annual report contains a list of projects the State Planning Council/CEDS Committee has determined is consistent with the *State Guide Plan* and recommended for EDA funding. These projects are proposed by departments or divisions of state government, cities and towns, Indian tribes, special-purpose units of government (e.g., sewer and water authorities), and public or private non-profit development organizations.

The 1999 *CEDS Annual Report* listed several projects for the improvement or reuse of industrial property, among them the West Side Master Plan (Portsmouth, Middletown, and Newport), Highland Corporate Park Infrastructure Improvements (Woonsocket), Cornforth Industrial Park Water System Expansion (North Smithfield), Collyer Wire Reuse Project (Lincoln), and Manville-Jencks Mill Complex Rehabilitation (Pawtucket).

03-03-04-05: Enterprise Zones

An enterprise zone is usually defined as an area, typically in an economically depressed neighborhood, where a package of financial and other incentives is offered to attract and retain business. This is intended to be a boon to the inner city, stimulating new and indigenous businesses, and providing new jobs to city residents. The enterprise zone is distinguished by tax credits not available elsewhere, and by "regulatory relief."

Many economists and labor leaders initially opposed enterprise zones. Some criticized offering tax credits in the zones, saying they would only be a windfall to big business, and not be available to community-oriented, unincorporated enterprises or non-profit corporations. ((46:341)) Others feared for the health and safety of workers within enterprise zones, being mindful of proposals to suspend minimum wage laws and "simplify" building codes and zoning laws in the name of regulatory relief. ((46:340-341)) Still others questioned whether enterprise zones would truly have an impact on those neighborhoods they were expected to help.

The actual legislation authorizing enterprise zones in the various states seems less strident in waiving regulations than was originally supposed, and many former opponents now give conditional support. Some relaxation of zoning restrictions, for example, may occur on an *ad hoc* basis, but an early HUD report found that "in no case...were these efforts central to the local program." ((47:vi)) Extremely controversial suggestions, such as minimum wage waivers, have been rejected.

Most states, including Rhode Island, and the District of Columbia now have legislation authorizing enterprise zones. Most of the incentives offered are, in terms of actual dollars, modest. Some have interesting and unique features, however. The enterprise zone program in Indiana, for example, offers a 30 percent income tax credit for purchasing equity in start-up or expanding enterprise zone businesses. Utah grants a tax credit of 50 percent (to a $100,000 maximum) for cash contributions to private nonprofit corporations engaged primarily in community and economic development. Oregon's Strategic Investment Program is very targeted, directed at the semiconductor industry, and claims it will stimulate $4-9 billion in new investment and up to 13,000 new jobs over the next 15 years. ((48))

Figures and findings from HUD suggest that the salutary effect the financial incentives have on industrial relocation is limited. Among ten enterprise zones HUD surveyed, "only 30 percent of the 263 businesses investing [there]...had operated outside the enterprise zone prior to its designation, and many of these firms decided to invest in the zone for reasons other than the zone incentives." ((47:x)) (The report did not give those other reasons, however.) The report continued, "In most cases, spokespersons for these firms were not fully aware of all the incentives available in the zone, including some of the very basic financial incentives such as property tax abatements and income tax credits" ((47:x)), again casting doubt on the value of such incentives in relocation decisions.

On the other hand, anecdotal evidence presented to the R.I. Enterprise Zone Council, primarily from the City of Providence, suggests that businesses *have* relocated in neighborhoods within enterprise zones to take advantage of the tax benefits. It seems that while the presence of an enterprise zone was not the sole determinant of their decision, these businesses did know about enterprise zones and

the tax credits and modifications obtained from the program. Among the businesses that have taken advantage of these credits and modifications are manufacturing concerns, law offices, accounting firms, medical centers, and banks.

Rhode Island's enterprise zone program is authorized by Chapter 42-64.3 of the *R.I. General Laws,* known as the "Distressed Areas Economic Revitalization Act." This law, drafted by Statewide Planning Program staff, was passed in 1982 and has been subject to a number of reenactments. The first enterprise zones were designated in 1992, two years after the original *Industrial Land Use Plan* was published. (The plan recommended approaching the subject of enterprise zones "cautiously" to prevent abuse by "involving local business, labor, and community groups to assure that none of their interests are unduly compromised.") ((11:3.31))

Under the law, each enterprise zone in Rhode Island is limited in size to "not more than five (5) contiguous United States census tracts or portions thereof" ((49)), with relatively high levels of poverty and unemployment. Zone businesses must be certified by the Enterprise Zone Council before they qualify for tax benefits. They must be recertified every year, based on their ability to increase their payrolls by five percent over the previous year's baseline.

Among the benefits available are a wage differential credit, a resident business owner credit, two types of interest income credits for lenders to zone businesses, and a donation tax credit for any cash donation to public-supported improvement projects in an enterprise zone. ((50))

More intimately connected with industrial land use is the credit allowed lenders against taxes for interest earned on loans to zone businesses for rehabilitation, construction, or expansion of industrial or commercial property. The lender is allowed a 100 percent credit, up to $20,000 per year. Rehab projects must receive approval from the Enterprise Zone Council before they commence, however.

There are now ten enterprise zones in Rhode Island, indicated in Figure 221-03(1).

03-03-04-06: Bank Community Development Corporations

The Economic Development Administration has helped establish a new type of lending institution, the Bank Community Development Corporation —

FIGURE 212-03(1):
RHODE ISLAND'S ENTERPRISE ZONES

"Bank CDC" for short — that can play a role in the development or reuse of industrial land in Rhode Island's inner cities. Bank CDCs are sponsored by commercial banks, groups of banks, or bank holding companies. In return for taking initiatives to finance community development (a public sector goal), the banks are permitted to make equity investments in real estate and businesses in poor neighborhoods that ordinarily would be prohibited by law. ((51:1)) This allows Bank CDCs more flexibility and, one would assume, less risk in investing in economically depressed areas than would be expected with conventional loans, making the funding of projects within those areas more tenable. ((51:1))

A very strong inducement for forming a Bank CDC is the Community Reinvestment Act. The Act requires good-faith efforts on the part of lending institutions to contribute to redevelopment in poor neighborhoods, and makes the banks' expansion plans subject to a demonstration of those efforts. Thanks to successful agitation by community groups, the Act has been directly responsible for bank loans to non-profit housing corporations and minority-owned businesses, and considerable investment in inner-city infrastructure.

Bank CDCs have established impressive track records around the country. The Seagate Community Development Corporation in Toledo, Ohio, for example, accounted for $237 million in new investment in the city, including hotels, a convention center, and a waterfront festival market. ((52:not paginated)) A CDC in Norwalk, Ohio, provided funds to new businesses that expanded and cut the local rate of unemployment in half. ((52:not paginated)) Fleet Bank has an active CDC in Rhode Island that has primarily served clients in the retail and service sectors of the economy.

03-03-04-07: Land Banking

If Rhode Island is to set aside nearly 22,000 acres for industrial use by 2020, land banking should be considered. A land bank can simply be a "bank of land," where properties are acquired by a public agency, managed, disposed of, and developed for a public purpose. ((53:1)) A land bank can also be a bank in the more conventional sense, which —instead of acquiring and managing land—makes money available to non-profit and for-profit development corporations to acquire and develop land. Either definition presupposes heavy public sector involvement in development. Even in the latter case, it is assumed that any disposition of property occurs with a specific public purpose in mind, such as providing new jobs for area residents.

Local planners might look at the example of Prince William County, Virginia, which has established the Economic Development Land Bank "to enhance economic development" and to "control costs associated with [the] management and disposition of land." ((54)) The land bank maintains due diligence, requiring environmental assessments and business plans for land to be conveyed, and consistency with the county's land use policies and related planning and zoning regulations. Policies govern acquisition and disposition, including purchase and sale of land, leasing of land, land swaps, joint ventures with commercial real estate developers, and the right of first refusal by the county in any subsequent resale of the

land by the initial purchaser; accountability; the retirement of funding obligations through net proceeds from the sale of land; infrastructure construction; and reporting progress through an annual review tendered to the Board of County Supervisors.

The Massachusetts Government Land Bank (MGLB) is more of a development bank, providing needed capital to implement projects with a demonstrable public benefit. Created by an act of the Massachusetts legislature in 1975, the MGLB describes itself as an independent state agency that uses the proceeds of general obligation bonds to give mortgages and development assistance to local communities, non-profit organizations, and for-profit developers for a variety of residential, commercial, and industrial projects "which serve a clear public purpose but which lack sufficient public and private investment." ((56)) The MGLB's project portfolio includes industrial, commercial, and residential development, such as the Boston Shipyard in East Boston, "Head of the Harbor" in Gloucester, the Westover Industrial Airpark in Chicopee, the Boston Marine Industrial Park in South Boston, the Old Public Library in Lawrence, and scattered site housing in Somerville. ((56))

Rhode Island has some experience with land banking, too. In 1969, Marcom Incorporated prepared a study, *Statewide Industrial Land Bank Program,* calling for the establishment of a public land development agency empowered to acquire and hold land for industrial purposes. The acquisition program would be undertaken in concert with economic development plans. "Excess state-owned land" would be transferred to the land bank agency to give the agency enough collateral to initiate the program. ((53))

Implementing legislation for the Rhode Island program was enacted in 1970 — the Rhode Island Land Development Corporation Act — but was repealed two years later after its constitutionality was successfully challenged in court. ((53:11)) Even so, bits and pieces of the Marcom proposal have been implemented:

- "Excess state-owned land" deeded from the federal government to the state at Quonset Point and Davisville has been put to industrial purposes by lease or outright sale by the EDC.

- The state capital development program can specify and prioritize public financing for a particular purpose, including land acquisition to provide an attractive site for a target industry. This tool can be used along with tax incentives, such as the recently enacted credit for research and development.

The R.I. Housing and Mortgage Finance Corporation (RIHMFC) has its own Land Bank Program. Along the lines of the Massachusetts Government Land Bank, it provides loans at below-market rates. Non-profit corporations and government agencies are eligible to apply. The loan program is designed as a revolving fund, and each loan carries a maximum term of 36 months. Approval is contingent upon, among other things, "responses to statewide, municipal, and neighborhood housing objectives." ((57))

Given a political climate more disposed toward a bank dealing in money rather than directly in land, RIHMFC's program could serve as a model for an industrial land

bank. A financing mechanism based on revolving loans with a relatively short payback schedule seems appropriate for such an initiative.

The one problem that might be encountered with a land bank based on short-term revolving loans is that the land may not be developed and sold quickly enough to pay back a loan. Some consultation with RIHMFC would be necessary before such an arrangement was established to see how that agency deals with that possibility. Alternatively, the state might consider using net proceeds from state industrial land sales to finance other projects.

Of course, coordination with local and state plans and public oversight of those funds — whether they were handled directly within government or by a quasi-public corporation such as the EDC — would be necessary. The *State Guide Plan* could play an important role in any land bank program, along with the comprehensive plans of the affected cities and towns. The establishment of a land bank board of directors, with adequate representation from business, labor, government, and community activists, would assure that the need for public oversight is satisfied.

03-03-04-08: Infrastructure Investment

Surveys have indicated that industry executives consider infrastructure the prime determinant in selecting an industrial site within a region or state. ((27:150)) The term "infrastructure" takes in traditional (utilities and transportation networks), relatively new (fiber optic systems), and relatively intangible amenities (access to leading technologies, synergies with forward-thinking companies in the same or in a closely related industry, presence of investor-friendly lending institutions, and an otherwise favorable business climate).

Where the public sector extends or improves infrastructure, industrial development will probably follow. Infrastructure investment thus amounts to a public subsidy supporting growth. There also needs to be public *control* of that growth, so that sprawl and unnecessary greenfield development are discouraged. To that end, investment in new infrastructure should be tempered by the goals and objectives of industrial reuse programs, such as those covering mill buildings and brownfields. Advocates of sprawl control, such as the Grow Smart Rhode Island movement, need to be involved. ((58))

Rhode Island has a grant program in place called the *Water Facilities Assistance Program* for the extension of public water facilities, either within a single system or serving two or more systems. Construction of these facilities, acquisition of land or rights-of-way, and necessary engineering and design costs are covered up to 25 percent for single systems and up to 50 percent for intersystem arrangements. The program is managed by the state Water Resources Board. Applications are co-reviewed by the Rhode Island Division of Public Utilities and Carriers to determine whether the benefits to consumers outweigh the costs, and by Statewide Planning to establish whether they are consistent with the *State Guide Plan.* Only municipalities and quasi-municipal water agencies are eligible for the program. ((59))

The *Aqua Fund,* established by a bond referendum approved by Rhode Island voters in November, 1988, instituted a revolving loan fund for cities and towns for the pretreatment of industrial wastes, pretreatment facilities, and pretreatment equipment. Aqua Fund money may also be used for monitoring equipment and the administration of pretreatment facilities. Pretreatment is an important infrastructure improvement. With pretreatment, less strain is put on public wastewater treatment systems that may otherwise be reaching capacity because of new development. Pretreatment can allow industries to co-exist with less use-intensive and less-polluting neighbors, and draw industries back to older, underutilized industrial sites that are beginning redevelopment as mixed-use complexes.

It is crucial that whenever improvements to public water or wastewater treatment are suggested, planning and financing are coordinated between and among neighboring communities. Priorities need to be established through their respective comprehensive plans. For example, wherever cities and towns are consciously trying to control growth, the growth implications of expanding the infrastructure must be carefully evaluated.

Rail, highway, and airport access is another critical element of public infrastructure. Nowhere is this more evident than in the "third track" and highway improvements being considered to support development of Quonset Point/Davisville, R.I., into a vital intermodal port. The "third track" system design would alleviate traffic along the existing Amtrak Shoreline Route from Quonset north to the Boston Switch in Central Falls, a route currently shared by passenger and freight trains. Concurrent with this development would be renovations along the route to solve possible clearance problems presented by modern double-stack and triple-stack freight cars, and either a new 4.5-mile highway or improvements to existing roadways to link Quonset to I-95 via R.I. Route 4.

Federal funds are supporting the transportation improvements linking Quonset with markets in the north, south, and west, along with state money from a bond referendum. Political leaders need to keep focused on these improvements as they truly are critical to the success of Quonset as a port, no matter what shape and role the port may ultimately assume.

Rail, highway, and airport access remains important to other industrial areas where goods are manufactured or distributed. While federal funds have always played a role in improving or maintaining transportation infrastructure, the state needs to move toward self-sufficiency — first to provide sufficient funds for the match requirements of the federal programs, and second to cover contingencies above and beyond the infrastructure budget. Part of that effort could be concentrated at the local level. A revolving loan program to the cities and towns, capitalized initially by a budget outlay from the General Assembly or a bond, could be pegged to local road and bridge improvements, and to simple maintenance (filling potholes, fixing frost heaves, etc.). A prioritizing scheme run on a statewide basis could identify and implement the most urgent or crucial projects. A program that was self-sustaining by being centered around low-interest revolving loans would be preferable to one that relied solely on annual appropriations from the General Assembly.

03-03-05: Marketing and Developing Sites

The public sector influences industrial location by marketing and developing sites. "Image marketing" is very widely practiced. A state or locality's scenic and manmade attributes are touted as natural extensions of the area's "business climate." Descriptions of a beautiful coastline, world-class golf courses, good schools, well-maintained highways, cultural attractions, etc., are aimed right at the lifestyle of the corporate executive, and shrewdly so: "quality of life" — the attractiveness of the area as a place to live — is among the top three considerations of business people contemplating a move. ((27:150))

Towns, cities, counties, and states all have different approaches in marketing sites, however. States and counties, for obvious political reasons, need to be particularly cautious to avoid the appearance of playing off one community against another, or favoring one over the other. They must also ask themselves how deeply they want to get involved in real estate development. How would a marketing campaign enhance or work against the free market in the choice of a site? And given the "public health, safety, and welfare" mission of government, how would success be measured — by the gross amount of land sold or leased, as an agent in the private sector would do it, or by the quality of industry attracted to the area, as public policy might dictate?

(And as a corollary to that, how would "quality of industry" be determined? By the number of jobs generated? By higher-than-average wages? By environmental friendliness? By easy matching of jobs with existing skills within the Rhode Island workforce? By the training programs available to fit the workforce to the jobs?)

The 1990 *Industrial Land Use Plan* presumed "that it is appropriate for the State of Rhode Island, in the absence of county governments and regional planning commissions, to market industrial sites." The precedent for statewide planning and policymaking, the plan added, was established long ago. ((11:3.25))

The state, or the quasi-public EDC acting on its behalf, might consider the following guidelines:

- A site marketing program should be designed to match a client with a property, based on the industry's particular needs — just as a private real estate broker would — and should consider the entire state (except those communities that have no industrial-zoned land).

- Statewide marketing must be coordinated with state and local economic development goals and plans (i.e., the *State Guide Plan* and city and town comprehensive plans).

- Even the appearance of a conflict of interest within the agency or organization doing the marketing must be avoided.

- The public purpose in marketing industrial sites — maximizing employment opportunities and making the best use of industrial land — must not be lost in the real estate dealings done on behalf of the state.

- Priority should be placed on reusing urban/developed sites (rather than greenfield sites) when public resources, including both EDC marketing staff and public financing, are allocated to promote development.

The EDC is the most appropriate agency to conduct statewide marketing. The EDC maintains files and maps of industrial parks, both publicly and privately owned, and other areas conducive to industrial development. Local data are available from the department. These materials may be accessed upon request or through the Internet, and are valuable marketing tools as well as good sources of information.

With a statewide approach to marketing, policies promoting industrial land use based on operational needs and the reuse of underutilized urban properties can be balanced against the EDC's desire to provide modern, "construction-ready" sites to industry.

The EDC should also consider entering into partnerships with private non-profit developers to renovate older industrial parks and other industrial properties elsewhere in the state. These sites may be "fully serviced" by utilities such as sewer and water, but challenged by a lack of access to fiber optic networks that are crucial to modern telecommunications. Such shortcomings can be identified by partnerships with developers. The Corporation's system of account executives serving different sectors of the economy or geographic areas seems ideally suited to forming these partnerships. The cities and towns — many of which have their own economic development offices, in addition to their own development agendas — must continue to be involved directly as well, in a manner consistent with their comprehensive plans.

Finally, the EDC should maintain its leadership role in the state enterprise zone program. Location of an industrial site within one of Rhode Island's nine enterprise zones has been shown to be an attraction to business. The Enterprise Zone Council resides within the EDC, meets at EDC headquarters, and is staffed by employees of the EDC. ((60)) This is an important bridge between the state and its economically disadvantaged communities, and is a proven method for expanding businesses in those communities. It is also the principal means of certifying mill buildings for rehab and reuse credits, satisfying a major objective of this *Industrial Land Use Plan.*

03-04: Private Sector Influence on Locational Factors

Private industry ultimately determines the success of all economic development programs, whether state-run, quasi-public, or entirely private sector-driven. Corporate executives decide whether one site is more attractive than another, the needed skills reside in the area, the infrastructure is adequate, a financing package can be put together, the tax incentives (if any) justify the move, and so on.

By serving on committees that help determine public policies affecting industrial siting, business people can contribute enormously to all these concerns. (Representatives of organized labor should also be included to provide some balance to their recommendations.) In addition, industry lobbying groups and local chambers of commerce can affect the course of regulation and public financing, workforce training, and labor relations.

The private sector in Rhode Island has been active. A major conduit of private sector opinion is the Economic Policy Council, funded 50-50 by private sector participants and the state, and co-chaired by the Governor and the Chief Executive Officer of a major corporation. Nine corporate executives are Council members, including the Co-Chairman.

Nationwide, bankers in inner-city areas have begun to reverse the effects of redlining by working with community activists in poor neighborhoods through Bank CDCs. Entrepreneurship has been fostered in traditionally disadvantaged groups by organizations such as the Women's Economic Development Corporation in St. Paul, Minn. ((61:5)) Microenterprise development in Rhode Island is being promoted through the Elmwood Neighborhood Housing Corporation.

Private colleges and universities are also important players. In addition to their primary mission of educating future managers, engineers, and technicians, many have special programs to stimulate technology transfer, research and development, and entrepreneurship.

The respective Presidents of Brown University and the University of Rhode Island have seats on the Economic Policy Council. Bryant College provides business consulting services and runs seminars and training programs through its Rhode Island Small Business Development Center and Export Assistance Center. The Brown Venture Forum sponsors panel discussions highlighting the problems and promise of new companies with high growth potential, bringing together entrepreneurs, venture capitalists, experienced business executives, and others who share the goal of starting and expanding businesses.

Last but certainly not least are the private development corporations, both non-profit and for-profit. Like their counterparts in the public sector, they use both image marketing and site marketing to bring in new industry. It is important for government to keep in regular contact with developers to have a sounding board for public policy, and to get their perspective on changes in the economy that will affect how industrial land will be disposed.

03-05: Policies for Industrial Land Use

Having reviewed all these initiatives, programs, and incentives, we can now set forth a series of policies. These policies will be used to frame the implementation mechanisms in Part Five.

A. Energy

1. Encourage district heating in industrial parks and urban manufacturing districts, wherever a centrally located heating/cooling system can handle several companies' energy needs effectively and more efficiently.

2. Encourage industrial land use patterns that can take advantage of district heating, particularly in the older central cities within clusters of factory buildings.

3. Encourage use of endemic and renewable sources of energy in industrial buildings.

4. Provide site layouts that encourage the use of mass transit.

B. Proximity to a Skilled Workforce

1. Continue encouraging the expansion of dynamic industries that can benefit from proximity to institutions of higher learning and other sources of training and technology transfer, and build upon the existing skills of the state's workforce.

2. Encourage private efforts such as Bryant College's Small Business Development Center and the Brown Venture Forum, and blue-collar and white-collar training and retraining programs.

3. Establish training facilities and day care in industrial parks and revitalized mill complexes.

C. Infrastructure

1. Promote industrial sites and facilities within the older central cities that already have a full complement of public services.

2. Promote a regional approach to new industrial site development to include sharing of the financing of such sites and the regional sharing of the tax receipts from these sites.

3. Stimulate industrial growth through infrastructure extension and improvements only when consistent with state and local laws, policies, and plans. Recommendations for infrastructure extension and improvements should require discussion of the negative impact they may have, e.g., encouraging "sprawl" and unnecessary greenfield development.

4. Where extension and improvements occur, coordinate infrastructure financing between and among the federal government (where appropriate), the state, the communities, developers, and industry.

5. Recognize the need for information technology infrastructure, as well as "traditional" infrastructure including public water, sewers, transportation access, etc.

6. Balance the principle of "matching the plant to the land" against the desire to attract industry to "construction-ready" sites that are fully serviced but in limited supply and largely done "on spec." Avoid the underutilization of infrastructure.

7. Where possible, schedule infrastructure improvements to coincide with promotional campaigns for urban industrial sites.

D. Zoning

1. Encourage cities and towns to make greater use of modern zoning tools, such as performance standards and mixed-use districts.

2. Promote regional analysis of industrial site development potential and discourage inappropriate zoning that contributes to uncontrolled growth.

3. Encourage planners and zoning boards to reserve industrial-zoned land with high development potential for industrial use, consistent with local comprehensive plans.

4. Discourage the use of public financing for industrial or commercial development that is not sited in appropriate areas.

E. Environmental Permitting

1. Encourage better communication to avoid procedural delays through pre-application meetings of developers, regulators at all levels of government, and interested representatives of community groups. Include the Economic Development Corporation when EDC-managed monies or personnel are involved with the project.

2. Expedite the permitting process with adequate staffing and improved communication.

3. Foster "one-stop shopping" at key permitting agencies, such as the DEM and the Coastal Resources Management Council, so that a single contact with the agency can inform the developer of the permits that will be required, application procedures, etc.

4. Implement brownfields assessment and cleanup programs so that abandoned industrial land can be brought quickly into reuse, and permitting of the use of the land can be expedited.

F. Public Financing

1. Discourage tax incentives that are merely tax holidays requiring little commitment by industry to communities once they expire.

2. Maintain state sales tax exemptions on "taxable" bond issues used to capitalize low-interest loans to developers for the purchase of land and equipment.

3. Encourage communities to establish revolving loan funds if feasible.

4. Continue to use the state enterprise zone program with the mill building revitalization program to key economic incentives to the reuse of abandoned industrial property in the inner cities, involving local business, labor, and community groups as a sounding board for the Enterprise Zone Council.

5. Encourage the formation of Bank CDCs for industrial development, and support the Community Reinvestment Act as an essential part of this process.

6. Develop an industrial land bank modeled after the housing land bank started by the Rhode Island Housing and Mortgage Finance Corporation, with appropriate public oversight.

7. Establish a state industrial infrastructure fund as a combined grant/ revolving loan fund program, coordinating both industrial expansion and growth management according to state and local plans, policies, and laws.

8. Encourage regional economic development organizations, such as the Greater Providence Chamber of Commerce and the Central Rhode Island Economic Development Corporation, to participate in the Comprehensive Economic Development Strategy (CEDS), the first step in securing financial assistance from the U.S. Economic Development Administration, for projects of regional economic benefit.

9. Encourage a policy of full public disclosure of all public financing associated with a project and the full costs related to such financing.

G. Marketing and Developing Sites

1. Encourage the EDC to continue the marketing of sites statewide, emphasizing the principle of "matching the plant to the land" (the client's needs to the property), and coordinating with local and regional marketing efforts.

2. Maintain "public purpose" in marketing and developing sites, maximizing employment opportunities, making the best use of industrial land, emphasizing the "built environment," discouraging "sprawl," encouraging transportation options other than the automobile, and maintaining Rhode Island's quality of life.

3. Upgrade state and local information on existing and potential industrial sites, utilizing the latest technology available, including applications related to the R.I. Geographic Information System (RIGIS), to evaluate market feasibility and to display sites.

H. Private Sector Influence on Locational Factors

1. Encourage meaningful business and labor participation in public policymaking bodies such as the Economic Policy Council.

2. Consult and work with centers, forums, and institutes affiliated with colleges and universities to foster research and development, technology transfer, and entrepreneurship, being mindful of their impacts on industrial land use.

3. Keep in close contact with private development corporations, especially those building and managing industrial, office, or research parks. Identify key players in those organizations for their perspectives on economic trends that can affect industrial land use.

4. Recognize there are strategies in predominantly private-sector groups concerned with responsible land use and sustainable economic development that support and enhance Statewide Planning's objective to "fit the plant to the land." Work with such groups to emphasize the importance of public and private sector cooperation in many fields of endeavor – including the drafting of legislation, collaboration at conferences, design charettes, and actual development projects – as they pertain to industrial land use.